

Voluntary Insurance 101

for Businesses

Offering the workforce a way to stay ahead of the medical out-of-pocket expenses that add up so quickly after an accident, injury or illness



What is Voluntary Insurance?

Simply put, voluntary or supplemental insurance plans help people protect their financial well-being in the event of a serious accident or illness. Voluntary insurance offers a way to stay ahead of the medical and out-of-pocket expenses that major medical insurance does not cover and that add up quickly after an accidental injury or illness. From emergency treatment and transportation costs to receive care, or everyday bills, voluntary insurance pays cash benefits directly to the policyholder (unless otherwise assigned), and the policyholder decides how or when to use the money.

This booklet addresses commonly asked questions regarding the relevance of voluntary insurance, as well as who needs these policies and what is covered in them. While there are many policies to consider, this booklet takes a quick look at four popular policies:

- Accident Insurance
- Cancer Insurance
- Hospital Indemnity Insurance
- Short-term Disability Insurance

To receive a full list of available Aflac policies, contact your agent or visit:
aflac.com/business/policies

Disclaimer: Insurance policies and specific coverage details vary from state to state. Discuss with your agent or broker for a full understanding of the benefits that apply to your company.

Voluntary insurance works with major medical coverage to provide an essential safety net

Unlike major medical insurance, these supplemental policies pay cash benefits directly to the policyholder.

Supplemental policies, like the ones offered by Aflac, work together with major medical insurance to help provide protection to policyholders. As health care costs continue to rise, these policies help provide an extra layer of financial protection for your employees, without adding to your overall cost of benefits. Unlike major medical insurance, these supplemental policies pay cash benefits directly to the policyholder (unless assigned otherwise) if they get sick or injured, and are a way to offer a broader benefits package to your workforce without adding to your benefits costs. Additionally, they help complement an overall benefits strategy. Workers with voluntary benefits are more likely to be extremely or very satisfied with their benefits than workers who do not have voluntary benefits (69 percent compared to 48 percent).¹



More Relevant Than Ever Before

Health care reform and increasing health care costs continue to drive demand for voluntary benefits — and for good reason. As the cost of health insurance rises, employers continue to struggle to control their company's health care expenses. Many have already passed more of the premium costs to employees and have increased deductibles, copayments or out-of-pocket limits. Those that haven't, face difficult decisions to contain costs. Employees also face more decisions as health care becomes more consumer-driven, and new options become available to them through health care reform.



Any way you look at it, employees are shouldering both additional health care costs and decision-making responsibility. Even with a comprehensive major medical plan, the out-of-pocket costs (both medical and non-medical related) can be substantial. In fact, 44 percent of workers would have to use a credit card or borrow from friends or family to pay for out-of-pocket expenses associated with a serious illness or accident.¹ For many organizations, voluntary benefits may help solve a number of concerns and challenges that have surfaced during this time of health care and financial insecurity.

Are Voluntary Policies Available on the Exchange?

The Public Exchange will offer stand-alone voluntary dental coverage. Other voluntary coverage such as: accident, illness, disability, and many others, can be purchased off of the Public Exchange. Employers can make the policies available directly to employees at little or no cost to the company. Even if purchasing insurance benefits through the Small Business Health Option Program (SHOP) or Individual Exchange, these policies will help your business offer a comprehensive benefits package to workers.

Supplemental insurance helps to:



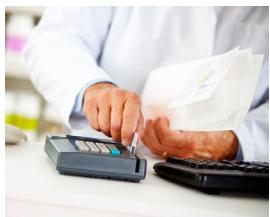
Support the overall benefits plan

- 78% of workers say their overall benefits package is important to their job satisfaction.¹
- 58% say they'd be likely to accept an employment offer with slightly lower compensation, but a more robust benefits package.¹
- Workers with voluntary benefits are more likely to be extremely or very satisfied with their benefits than workers who do not have voluntary benefits (69 % compared to 48%).¹



Provide additional robust benefits options

- Offering robust benefits while staying within budget/cost constraints is a top benefits challenge for 68% of businesses.¹
- Average family coverage premiums have increased 113% since 2001, and health care spending has exceeded U.S. economic growth in every recent decade.²
- Voluntary benefits compliment major medical plans by helping workers to pay out-of-pocket expenses.



Provide workers cash benefits to help pay rising out-of-pocket medical costs

- 22% of employers say they will increase employees' copayments in 2013.¹
- 23% will increase share of premiums.¹
- 14% plan to introduce a High Deductible Health Plan.¹
- Only a quarter of U.S. employees think more options will result in better coverage for them and their families. A similar portion think they'll save money.¹



Help workers guard against financial stress and anxiety

- 54% of workers would actually prefer less control over their health care options because they don't think they'll have time or resources to manage them.¹
- 72% believe their personal health insurance situation will become more confusing as a result of health care reform.¹
- Employees who are offered and enrolled in voluntary benefits options are significantly more likely to say they have peace of mind (52% compared to 42%), and have a financial plan (49% compared to 39%).¹

Accident Insurance

Accidents happen. A common phrase tossed around often, but a reality that is largely underestimated. Whether it's a car accident or a broken arm, these events can happen to anyone at any time. In fact, every 10 minutes, 441 people will suffer disabling injuries in the U.S., and two-thirds of those are not work-related, according to the National Safety Council.³

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What is also frequently overlooked is the financial impact of an accident. While major medical insurance may pay some doctor, lab, pharmacy and hospital costs, most people have expenses after an accident they never thought about before. From out-of-pocket medical costs associated with the treatment of the accident to a temporary loss of income, a wide range of expenses and situations can put a strain on your finances. If a worker or family member experienced an accident, could their finances handle it? Would he or she have the savings to cover the extra costs?

Even the most minor of accidents, such as a broken arm, can lead to a temporary loss of income and inability to pay normal living expenses. Regular bills, including mortgage or rent, car payments and utility bills don't stop when you're laid up after an accident. Voluntary accident insurance benefits are paid directly to the policyholder, and can be used however the policyholder decides—even to help with everyday living expenses.

What Does Accident Insurance Cover?

Accident insurance provides the policyholder with cash benefits for expenses that may not be fully covered by major medical insurance.

Accident insurance provides the policyholder with cash benefits for expenses that may not be fully covered by major medical insurance, including:

- Treatment: pays a specific benefit amount for emergency room treatment, X-rays, diagnostic exams, physical therapy and follow-up treatment.
- Ambulance: pays a specific benefit amount for ambulance transportation or air ambulance transportation to a hospital.
- Hospital Confinement: pays a specific benefit amount for each day the policyholder is confined in a hospital due to injuries sustained in a covered accident.
- Optional Accidental Death Benefit Rider: pays a lump sum death benefit for covered common carrier accidents and other accidents.

There is no need to undergo a health exam to qualify for voluntary accident insurance. If the employer offers a voluntary accident plan, employees may be able to receive payroll rates and have the premiums deducted from their paycheck.

Who Needs Accident Insurance?

Unlike some insurance policies that may be more applicable for certain age groups or at-risk individuals, voluntary accident insurance can be beneficial for most adults. For those

workers who consider themselves the breadwinner in their family, and whose monthly income is required to support daily living and expenses, a voluntary accident insurance policy is particularly important. Also, workers without extra savings that can be used in the case of a medical accident should consider an accident policy.

To learn more about how voluntary accident coverage can benefit you or your employees, visit aflac.com/accidentplan.

Cancer Insurance

Cancer affects 12.5 million Americans nationwide,⁴ and for many, the diagnosis brings potentially devastating financial burdens even if they have major medical insurance. In fact, a new study from Duke University Medical Center and Dana-Farber Cancer Institute found their self-reported, out-of-pocket, cancer-related costs average \$712 per month.⁵ Unfortunately, cancer is one of the five most costly medical conditions in the United States, forcing many patients to make decisions about their health based on finances.⁶ It is for these reasons and more that voluntary cancer insurance is becoming increasingly important in helping consumers combat the high costs associated with a cancer diagnosis so treatment and recovery can be their primary focus.

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What Does Cancer Insurance Cover?

Voluntary cancer insurance policies can help with the treatment costs of cancer, but more importantly will also help your workers focus on getting well instead of being distracted by the stress and costs of medical and personal bills. In the event of a cancer diagnosis, policyholders receive cash benefits that are often used to help pay for daily living expenses, such as rent, gas, groceries, babysitting and other necessities, as determined by the policyholder. A supplemental cancer insurance policy can also help protect the policyholder's income and savings from expenses that aren't covered by your major medical insurance, including deductibles, experimental cancer treatments, out-of-network specialists, and more.

Who Needs Cancer Insurance?

The American Cancer Society estimated about 1,638,910 new cases of cancer to be diagnosed in the last year.⁸

When you consider that U.S. men have slightly less than a one in two lifetime risk of getting cancer, and women have a slightly more than one in three risk,⁷ voluntary cancer insurance is an option everyone should consider. However, for people who have a family history of cancer or are at a higher-than-average risk, supplemental cancer insurance is even more important.

The American Cancer Society estimated about 1,638,910 new cases of cancer to be diagnosed in the last year.⁸ No one wants to think about cancer, but it is necessary to consider how your workers would manage if they were diagnosed and unable to work. The reality is that often financial barriers delay treatment, and for a condition as serious as cancer it can

mean the difference between life and death.

Families affected by cancer shouldn't have to make difficult decisions between medical procedures or treatments and making ends meet. Yet this is the case for a growing number of consumers who are facing high out-of-pocket expenses, despite having comprehensive major medical insurance. A voluntary cancer insurance policy could make a difference to their well-being, family and future.

To learn more about how voluntary cancer insurance plans can benefit you or your employees, visit aflac.com/cancerplan.

Hospital Indemnity Insurance

If you've ever experienced an injury or medical event that required a hospital visit or stay, you are probably acutely aware of how expensive the bill can be even after major medical insurance. And the price tag just keeps rising as costs associated with inpatient hospital services increase and a greater share of deductibles and co-pays shift to individuals. In fact, the average facility price paid for a hospital stay was \$14,662 in 2010, a 5.1 percent increase over 2009. The average out-of-pocket price of a hospital stay rose 10.7 percent from \$632 in 2009 to \$700 in 2010.⁹

Even with the best major medical insurance, an entire hospital bill probably won't be covered. And what about the things health insurance was never intended to cover, like transportation and meals for family members, help with child care or time away from work? Often it's those unexpected expenses that add up quickly and force people to dip into savings or borrow. A hospital indemnity insurance policy is designed to provide cash benefits during a covered hospitalization.

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What Does Hospital Indemnity Insurance Cover?

The hospitalization benefits are predetermined and paid regardless of any other insurance you have, and you have a choice of applying for basic to more robust supplemental hospitalization insurance. Some hospital indemnity plans only provide hospitalization benefits, other may also address diagnostic procedures, outpatient surgery and ambulance transportation.

Some features of a hospital confinement indemnity plan include:

- No deductibles or copayments
- A HSA-compatible policy is available
- No networks, so you can be treated at the hospital of your choice
- No precertification requirements
- You own the policy, even if you change jobs or retire, it stays with you

Who Needs Hospital Indemnity Insurance?

Generally speaking, everyone is susceptible to injuries or illnesses that could require a hospital stay and therefore, are good candidates for applying for voluntary hospital indemnity insurance. Anyone who is concerned about the cost of hospitalization and its potential impact on short-term or long-term finances should look into the option of voluntary hospital indemnity insurance.

The high cost of hospital stays combined with the likelihood for any individual to require one in their lifetime, is driving a growing need for supplemental hospital indemnity insurance. These policies are also becoming highly popular as more employers implement consumer-driven plans, including high-deductible health plans and Health Savings Accounts (HSA's), which shift more out-of-pocket costs onto workers.

More than two in five workers (43 percent) say they are not at all or not very prepared to pay for out-of-pocket expenses associated with a serious illness or accident. If your workers are like nearly half of today's (46 percent), which have less than \$1,000 to pay for unexpected out-of-pocket expenses associated with a medical event,¹ one visit to the hospital could wreak havoc on their families' finances. Policies such as, hospital indemnity plans can help alleviate the short-and long-term effects of these types of inpatient hospital costs.

To learn more about how voluntary hospital indemnity plans can benefit your workers, visit: aflac.com/hciplan

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Short-Term Disability Insurance

The recent economic downturn may be close to over, but the lessons learned will likely remain in the minds of workers for years. Perhaps most poignant, is a greater appreciation for a steady paycheck and the importance of protecting that income. As workers strive to safeguard their finances, one area that garners little attention but represents an area of insufficient protection for many workers is disability insurance. In fact, one in four of today's 20-year-olds will become disabled before reaching age 67.¹⁰

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Despite the apparent risk, most Americans underestimate their personal susceptibility to experiencing a disability and overestimate the resources available to them in such a predicament. Especially considering that 65 percent of working Americans say they would only be able to pay bills for less than a year if their income stopped,¹¹ there is a growing need for voluntary disability insurance.

Disability insurance plays an integral and important role in financial planning and safeguarding financial futures.

What Does Short-Term Disability Insurance Cover?

In the event of a physician-documented disability, a voluntary short-term disability insurance policy pays benefits (i.e. a monthly amount that is a percentage of your gross income) for a set period of time while the policyholder is disabled. Depending on an individual's situation and short-term disability coverage applied for, some policies pay benefits up to 24 months for a disability.

If disabled, workers may not only lose the ability to earn a living, but may also lose savings, retirement funds or even their home. The financial obligations can be overwhelming. Disability insurance plays an integral and important role in financial planning and safeguarding financial futures. It can ensure your workers still have a source of income and can help take care of bills while they're focused on getting better.

Who Needs Short-Term Disability Insurance?

Any working adult who is not currently covered by private or voluntary short-term disability insurance is a candidate for applying for such coverage. In fact, about 100 million workers are without private disability income insurance.¹²

The need for disability insurance protection is crucial, particularly for primary wage-earners. Disabling injuries or illnesses can lead to significant medical bills, changes to the family's home or transportation, and more. Therefore, anyone who works — regardless of whether they are single, married, with children or without — needs to consider voluntary disability coverage.

Although many workers assume that they have coverage through their employer, a growing number of companies are cutting back on the amount of disability coverage they offer. A decade ago, it was commonplace for a company-paid disability plan to pay an employee 70 percent of income if disabled, but those rates have diminished alongside the economy and employees today often receive less than 40 percent. Furthermore, most people assume they will receive benefits from Social Security or worker's compensation. However, that is most often not the case. In fact, 65 percent of initial Social Security Disability Insurance (SSDI) claim applications were denied in 2009. Also, the average monthly benefit paid by SSDI in June of 2010 was \$1,065 a month. More than half (52%) received less than \$1,000 per month.¹³ As for depending on workers' compensation to cover a disabling injury or illness, consider that 90 percent of disabling accident and illnesses are not work related, meaning workers' compensation doesn't cover them.¹⁴

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The bottom line is that weathering an economic depression has opened eyes to the value of disability insurance. Americans are recognizing the financial vulnerability that comes from being under protected and underinsured. Neglecting to secure disability insurance is a prime example of how saving a few dollars in the short-term can cost thousands in the long run.

To learn more about how voluntary short-term disability policies can benefit you or your employees, visit aflac.com/stdplan



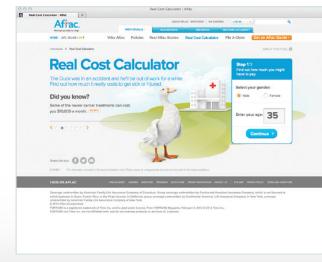
The Real Cost Calculator

Do your employees know the real cost of an illness or injury?

See the real cost in 3 easy steps:

1

Select age and gender



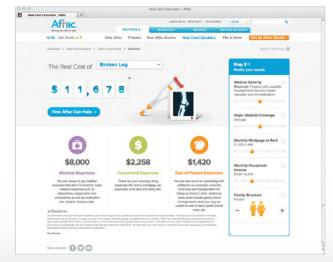
2

Choose a potential illness or injury



3

See the real cost and how Aflac can help



Features:

- Simple and easy to use interactive tool
- Shows the costs associated with health conditions such as cancer, heart attack, diabetes and fractured limbs not covered by major medical insurance
- Customizable to fit your employees and their family

Try it today, aflac.com/RealCost

Aflac herein means American Family Life Assurance Company of Columbus and American Family Life Assurance Company of New York.

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